

**SOUTH CAROLINA
DEPARTMENT OF CONSUMER AFFAIRS**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

March 18, 2020

Members of the Commission on Consumer Affairs
South Carolina Department of Consumer Affairs
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina Department of Consumer Affairs (the Department), on the systems, processes and behaviors related to financial activity of the Department for the fiscal year ended June 30, 2019. The Department's management is responsible for the systems, processes and behaviors related to financial activity. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Department. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Department has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

This report is intended solely for the information and use of the governing body and management of the South Carolina Department of Consumer Affairs and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

South Carolina Office of the State Auditor
Agreed - Upon Procedures – South Carolina Department of Consumer Affairs (R28)

Cash Receipts/Revenues

1. Haphazardly select fifteen cash receipts transactions and inspect supporting documentation to:
 - Ensure transaction amount, date, payor, document number, and account classification are properly reported in the general ledger.
 - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the Appropriation Act.
 - Ensure that both revenue collections and amounts charged are properly authorized by law and that any fee increases are in accordance with Proviso 117.7 of the Appropriation Act.
 - Determine that receipts are recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Cash Disbursements/Non-Payroll Expenditures

2. Compare current year non-payroll expenditures at the fund and account level to those of the prior year. Obtain from management an understanding of variations for the following: General Fund: General Ledger (G/L) Account series 504 – Fixed Charges; Earmarked Fund: G/L Account series 502 – Contractual Services and G/L Account series 504 – Fixed Charges.
3. Haphazardly select fifteen non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by Department procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by Department procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the Department.
 - The transaction is properly classified in the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.

We found no exceptions as a result of the procedures.

Payroll

4. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of variations greater than 10%.
5. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of variations greater than 10%.

Payroll (Continued)

6. Haphazardly select five employees and one pay period and inspect supporting documentation during the fiscal year to:
 - Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the Department.

For Salaried Employees:

- Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.

For Hourly Employees:

- Confirm the hourly rate and time sheets are properly approved; recalculate gross pay.

7. Haphazardly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the Department's policies and procedures, that the employee's last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
8. Haphazardly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the Department's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

We found no exceptions as a result of the procedures.

Journal Entries and Transfers

9. Haphazardly select three journal entries and two transfers for the fiscal year to:
 - Trace postings to the general ledger, confirming amounts agree with supporting documentation.
 - Confirm transaction is properly approved.
 - Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedures.

Reporting Packages

10. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.
11. In addition to the procedure above, perform the following:
 - Cash and Investments Reporting Package

Determine if amounts reported agree to the State Treasurer's Office Composite Bank Account reports and year end reconciliations.

Reporting Packages (Continued)

- Operating Leases Reporting Package

Haphazardly select one operating lease and inspect to determine if it is accurately reported at the Future Minimum Lease Payment Schedule. In addition, confirm that the Department submitted copies of leases to the CG in accordance with the CG's reporting package instructions.

- Accounts Payable Reporting Package

Determine if reported amounts are reasonable/accurate based on the inspection of the South Carolina Enterprise Information System (SCEIS) general ledger, SCEIS Yearend Reporting – Prior Year Payables with Vendor and/or Department prepared records. Haphazardly select five payable transactions to determine if reported amounts were properly identified, classified, and reported based on the inspection of the applicable documentation.

- Subsequent Events Questionnaire

Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or Department prepared records.

Finding

Future minimum lease payments reported with the Operating Leases Reporting Package were overstated by approximately \$18,000 because fiscal year 2019 payments were inadvertently included.

Management's Response

We agree with the finding. In May 2019 the Department entered a building lease structured differently from its past lease, contributing to the error. Management will emphasize the necessity of attention to detail in closing package completion to prevent similar errors from occurring in the future.

Governance, Risk and Compliance (GRC) SCEIS Module

12. Inspect the SCEIS GRC Module to identify any new controls implemented since the prior year inspection. For new controls identified, inspect mitigating control documentation. Confirm with management the controls are operating as designed.

We found no exceptions as a result of the procedures.

Assets and Personal Property

13. Select all capital asset acquisitions and inspect supporting documentation, the SCEIS general ledger and the SCEIS Asset History Sheet to determine that each asset was properly capitalized and posted to the general ledger as to amount and account and assigned the proper useful life in accordance with the CG's Reporting Policies and Procedures Manual.
14. Confirm that an inventory of Department property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Law 10-1-140.
15. Haphazardly select five assets from the SCEIS Asset History Report (or Department listing of assets) and confirm their existence through physical observation and identification of the assets on the Department's fiscal year 2019 asset inventory.

We found no exceptions as a result of the procedures.

Additional Provisos

16. Confirm that the Department submitted to the State Human Affairs Commission employment and filled vacancy data by race and sex by October thirty-first of the fiscal year in accordance with Proviso 117.13 of the Appropriation Act.
17. Confirm that the Department submitted to the State Fiscal Accountability Authority its Bank Account and Transparency Accountability Report in accordance with Proviso 117.83 of the Appropriation Act.

We found no exceptions as a result of the procedures. The Department was exempt from the reporting requirements of Proviso 117.83 and was granted an extension for the reporting requirements of Proviso 117.13.

Status of Prior Findings

18. Through inquiry and inspection, determine if the Department has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We found no exceptions as a result of the procedure.